

Message Text

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DRAFTED BY AF/W:BSKIRKPATRICK:IW

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FM SECSTATE WASHDC

TO AMEMBASSY CONAKRY

C O N F I D E N T I A L STATE 220389

E.O. 11652: GDS

TAGS: EMIN, US, GV

SUBJECT: HALCO MINING CBG

REF: STATE 205479

1. IN CONVERSATION WITH KIRKPATRICK AND MAINLAND ON SEPT. 1, C.D. WARD, VICE PRESIDENT MARTIN MARIETTA, RAISED FOLLOWING POINTS.

2. HE CONCERNED OVER REPORTS OF CONTINUED POLITICAL UNREST IN GUINEA AND ASKED IF THESE REPRESENTED AN UNUSUAL THREAT TO THE STABILITY OF THE GOG. WE INDICATED THAT WE DID NOT BELIEVE THAT THE PRESENT SITUATION APPEARED MORE UNSETTLING THAN PREVIOUS PERIODS OF UNREST, AND THAT THE STABILITY OF THE REGIME DID NOT APPEAR TO BE THREATENED. WARD SAID THAT IN THE COURSE OF DISCUSSING THIS MATTER, HALCO SHAREHOLDERS NOTED THAT SOME 50 PERCENT OF CBG EMPLOYEES ARE FOULA TRIBESMEN. THERE IS SOME CONCERN BECAUSE THE PRESENT ARRESTS APPEAR TO BE LARGELY DIRECTED AGAINST FOULAS.

3. HALCO HAD BELIEVED EARLIER THAT THE SOVIETS WERE PAYING THE REVISED TAX ON BAUXITE WHICH HAD BEEN ASSESSED AGAINST
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HALCO BUT RECENT REPORTS SUGGEST THAT THE SOVIETS ARE NOT

PAYING THE TAX. WARD WONDERED IF THIS WOULD BE AN

APPROPRIATE ISSUE TO RAISE AT THE CBG MEETING IN OCTOBER. WE INDICATED THAT HALCO WOULD BE JUSTIFIED IN RAISING THE ISSUE BUT THAT UNLESS THE GOG FURNISHED MORE INFORMATION ABOUT THEIR ACCOUNTING WITH THE SOVIETS, IT WOULD BE DIFFICULT TO GAUGE ACCURACY OF GOG'S RESPONSE.

4. SINCE GOG APPARENTLY VIEWS CBG AS AN "AMERICAN" INVESTMENT, WARD THOUGHT IT MIGHT BE HELPFUL TO HAVE SENIOR OFFICERS OF THE AMERICAN MEMBER FIRMS VISIT GUINEA. HE IS PRESENTLY THINKING OF SUGGESTING THAT THE CHAIRMAN OF MARTIN-MARIETTA MAKE A VISIT BEFORE SPRING 1977.

5. WARD SAID SEKOU TOURE HAD CASUALLY MENTIONED TO JAOUL DURING RECENT MEETING THAT THE OWNERSHIP SPLIT BETWEEN GOG AND HALCO SHOULD BE CHANGED TO 50-50 AND THAT THE GOG SHOULD HAVE MORE OF A ROLE IN MANAGING THE COMPANY. WARD BELIEVES THAT TOURE'S REMARKS ARE SIMPLY AN EXTENSION OF EARLIER THINKING AND THAT THE GOG ALREADY HAS A DEFACTO EQUAL ROLE IN THE MANAGEMENT OF CBG BECAUSE THE CBG BOARD MEETS IN GUINEA AND THEIR IS A 6-6 SPLIT ON THE BOARD. HE SPECULATED THAT THE GOG MIGHT FEEL INSECURE ABOUT ITS CONTROL OF CBG IN PART BECAUSE THE GOG DOES NOT HAVE ENOUGH STAFF CAPABLE OF INTERPRETING THE DATA THAT HALCO MAKES AVAILABLE TO THEM. WARD SUGGESTED THAT HALCO MIGHT MAKE MORE OF AN EFFORT TO EXPLAIN COMPANY OPERATIONS TO THE GOG. HE ADDED THAT OTHER HALCO PARTNERS HAD A TENDENCY TO GET INVOLVED IN GOG INTERNAL POLITICS. HE DID NOT CLARIFY BUT PRESUMABLY WAS THINKING OF THE RECENT PERSONAL DISPUTE. HIS FIRM'S POINT OF VIEW IS THAT THE MINING OPERATION SHOULD BE DISCUSSED WITH THE GOG SOLELY IN TERMS OF THE MUTUALLY ADVANTAGEOUS FINANCIAL BENEFITS IT PROVIDES. WITH REGARD TO CHANGING THE OWNERSHIP RATIO FROM 49-51 TO 50-50, HE STATED THAT HALCO MAINTAINS FINANCIAL CONTROL THROUGH ITS 51 PERCENT INTEREST AND GUARANTEES ALL OF CBG'S DEBTS. IF THE GOG WISHES TO FORMALLY ASSUME A 50 PERCENT INTEREST IT WOULD HAVE TO GUARANTEE 50 PERCENT OF CBG DEBT WITH THE ACCEPTANCE OF CBG CREDITORS.

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6. WARD STATED THAT SHIPLEY HAD BEEN "FIRED" AND WAS CURRENTLY ON LEAVE. THIS WOULD BECOME OFFICIAL WHEN HALCO RESPONDS TO GOG DENYING SHIPLEY'S CHARGES.

7. WARD ALSO INQUIRED ABOUT LATEST STATUS OF PROPOSED ARAB INVESTMENT FOR MINING BAUXITE IN AYEKOYE. HE STATED THAT THE AREA BEING CONSIDERED FOR THIS OPERATION LIES WITHIN THE HALCO CONCESSION AND THAT HALCO HAS THE FIRST RIGHT OF

REFUSAL. HE STATED THAT IF THE GOG WENT AHEAD AND LET OTHERS EXPLOIT THE AREA WITHOUT FIRST CONSULTING WITH HALCO, THIS WOULD BE A VIOLATION OF THE AGREEMENT IN THE

SAME WAY THAT PREVIOUS TAX REVISIONS WERE ALSO VIOLATED. HE SPECULATED THAT A VIOLATION OF THIS KIND COULD CAUSE CONSIDERABLE MISGIVINGS AMONG HALCO'S FINANCIAL BACKERS.

8. WOULD APPRECIATE YOUR VIEWS ON THE ABOVE ISSUES.

ROBINSON

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